EAST JAPAN RAILWAY COMPANY
Six months ended September 30, 1999, 2000 and 2001

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	1999	2000	2001	2001
Operating Revenues	¥949,586	¥953,529	¥954,112	$8,018
Operating Expenses	769,630	794,621	790,997	6,647
Operating Income	179,956	158,908	163,115	1,371
Other Income (Expenses):				
Interest expense	(109,634)	(102,979)	(94,681)	(796)
Interest and dividend income	1,679	1,936	1,964	17
Other, net (Notes 1 and 3)	3,065	(1,802)	(32,648)	(275)
	(104,890)	(102,845)	(125,365)	(1,054)
Income Before Income Taxes	75,066	56,063	37,750	317
Income Taxes:				
Current	44,320	48,409	42,298	355
Deferred	(12,936)	(25,070)	(26,671)	(224)
Net Income	43,682	32,724	22,123	186
Retained Earnings at Beginning of the Period	400,527	460,376	494,428	4,155
Cumulative Effect of Adopting Tax Effect Accounting	21,611	—	—	—
Appropriations:				
Cash dividends (¥2,500 per share)	(10,000)	(10,000)	(10,000)	(84)
Bonuses to directors and corporate auditors	(93)	(185)	(173)	(1)
Transfer to legal reserve	(1,009)	(1,018)	(1,018)	(9)
Retained Earnings at End of the Period	¥454,718	¥481,897	¥505,360	$4,247

	Yen			U.S. Dollars (Note 1)
Net Income per Share of Common Stock (Note 4)	¥ 10,921	¥ 8,181	¥ 5,531	$ 46

See accompanying notes.

1. Significant Accounting Policies

Basis of presentation of financial statements

The accompanying nonconsolidated semi-annual financial statements should be read in conjunction with the financial statements and related notes included in the Annual Report of EAST JAPAN RAILWAY COMPANY (the "Company") for the year ended March 31, 2001.

The Company, a Japanese Corporation, maintains its accounting records in Japanese yen. The accompanying nonconsolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan and Railway Business Accounting Regulations, and are based on the financial statements prepared in Japanese yen and for Securities and Exchange Law of Japan purposes, which are different from the accounting and disclosure requirements of International Accounting Standards.

The financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for convenience of readers, using the prevailing exchange rate at September 30, 2001, which was ¥119 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Securities

Beginning with the year ended March 31, 2001, the Company adopted the new Japanese Accounting Standard for Financial Instruments.

(1) Trading securities are stated at fair market value. The Company had no trading securities through the interim periods ended September 30, 2000 and 2001.

(2) Held-to-maturity debt securities are stated at amortized cost.

(3) Equity securities issued by subsidiaries and affiliated companies are stated at moving average cost.

(4) Available-for-sale securities were stated at moving average cost in the year ended March 31, 2001. Beginning with the interim period ended September 30, 2001, available-for-sale securities are stated as follows:

① Available-for-sale securities with market value
Available-for-sale securities for which market quotations are available are stated at fair market value as of September 30, 2001. Net unrealized gains or losses on these securities are reported as a separate item in shareholders' equity at an amount net of applicable income taxes. The cost of sales of such securities is determined by the moving average method.

As a result, investment securities included in the other item of investments on the balance sheets decreased by ¥31,683 million ($267 million) and long-term deferred taxes increased by ¥13,233 million ($111 million) as well as unrealized holding losses on securities of ¥18,450 million ($156 million) were recorded in shareholders' equity.

② Available-for-sale securities without market value
Available-for-sale securities for which market quotations are not available are stated at moving average cost.

If there are significant declines in the market values of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies or available-for-sale securities, the market values of said securities are shown in the balance sheet, and the difference between the market value and the original book value is recognized as a loss in the period. Losses in the interim period ended September 30, 2001 amounted to ¥38,385 million($323 million).

Property, plant and equipment

Property, plant and equipment are substantially stated at cost. To comply with the regulations, contributions received in connection with construction of certain railway improvements are deducted from the cost of acquired assets. Depreciation is determined primarily by the declining balance method based on the estimated useful lives of the assets as prescribed by the Japanese Tax Law.

Regarding the replacement method for certain fixtures, the initial acquisition costs are depreciated to 50% of the costs under the condition that subsequent replacement costs are charged to income.

The range of useful lives is mainly as follows:

Buildings	3 to 50 years
Fixtures	3 to 60 years
Rolling stock and vehicles	3 to 20 years
Machinery	3 to 20 years

Maintenance expenses

In the interim period ended September 30, 1999, with respect to the works that extended beyond September 30, the Company allocated maintenance expenses based on the ratio of the work period within the semi-annual period to the contract work period.

Due to a revision in Accounting Standard for Semi-Annual Financial Statements, maintenance expenses have been charged to income on the actual basis of accounting beginning with the interim period ended September 30, 2000.

Payment for transfer to Welfare Pension (national pension)

In accordance with the enforcement of revision of the Welfare Pension Law and the related regulations in 1996 (1996 Law No. 82), a shortage of the assets to be transferred to the Welfare Pension from Japan Railways Group Mutual Aid Association was shared by Japanese National Railways Settlement Corporation and JR Companies. The portion shared by the Company amounting to ¥77,566 million was paid in a lump sum. This is accounted for as a long-term prepaid expense included in the other item of other assets on the balance sheets and is charged to income for five years from the year ended March 31, 1998 on a straight-line basis. The balance of long-term prepaid expense at September 30, 2001 amounted to ¥7,757 million ($65 million).

Allowance for doubtful accounts

In general, the Company provides the allowance based on the past loan loss experience for a certain reference period. Furthermore, for receivables with financial difficulty which could affect the debtors' ability to perform their obligations, the allowance is provided for estimated unrecoverable amounts individually.

Accounting for retirement benefits

All employees of the Company are generally entitled to receive lump-sum severance and retirement benefits under an unfunded plan. The amounts of the severance and retirement benefits are determined by the length of service and basic salary at the time of severance or retirement of the employees.

The new Japanese Accounting Standard for Retirement Benefits has been operative beginning with the year ended March 31, 2001. The Company accrues liabilities for post-employment benefits as of the end of the interim period in an amount calculated based on the actuarial present value of all post-employment benefits attributed to employee services rendered prior to the year-end date.

The unrecognized transition obligation is charged to income over 10 years from the year ended March 31, 2001 on a straight-line basis. The balance of unrecognized net transition obligation as of September 30, 2001 is ¥410,790 million ($3,452 million).

The unrecognized prior service cost is amortized by the straight-line method and charged to income over the number of years which does not exceed the average remaining service years of employees at the time when the prior service cost incurred (10 years).

Actuarial gains and losses are recognized in expenses using the straight-line basis over constant years (10 years) within the average of the estimated remaining service lives commencing with the following year.

Derivative transactions

The Japanese Accounting Standard for Financial Instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

The only derivative transaction of the Company is foreign currency swap contracts used for hedging purposes against foreign currency bonds payable through the interim periods ended September 30, 2000 and 2001, and the foreign currency bonds are recorded using the contracted swap rate, and no gains or losses on the swap contract are recognized.

2. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities not exceeding three months at the time of purchase.

3. Real Estate for Sale

Devaluation loss on real estate for sale included in the other, net item of other expenses on the statements of income and retained earnings for the interim periods ended September 30, 2000 and 2001 were ¥6,725 million and ¥4,284 million ($36 million), respectively.

4. Net Income per Share of Common Stock

Net income per share of common stock shown in the nonconsolidated statements of income and retained earnings is computed based on the number of shares of common stock outstanding during each interim period.

5. Contingent Liabilities

The outstanding amounts for which the Company was contingently liable under a cross currency swap agreement at September 30, 2001 was $600 million.

6. Market Value Information for Securities

Book value and market value for quoted shares of subsidiaries and affiliated companies at September 30, 2000 and 2001 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
Amount on balance sheets	¥ 11,553	¥ 12,334	$ 104
Market value	266,502	160,238	1,347

Net unrealized gains at September 30, 2000 and 2001 were mainly composed of shares of Japan Telecom Co., Ltd., an affiliated company.

Market value information for securities other than the securities mentioned above is presented in the notes to consolidated financial statements.

7. Subsequent Events

(Interim dividend)

In November 2001, the board of directors of the Company resolved the payment of an interim cash dividend of ¥2,500 ($21) per share, aggregating ¥10,000 million ($84 million).

(Sale of shares held in an affiliated company)

The Company transferred part of the shares held in an affiliated company by applying for public sale carried out by Vodafone International Holdings BV, details of which are as follows:

(1) The date on which this event occurred

October 17, 2001 Received the notice of purchase, etc., by the public sale

October 26, 2001 Settlement of the purchase

(2) Details of this event

① The name of the shares in affiliated companies to be transferred
Common shares of Japan Telecom Co., Ltd.

② The number of shares transferred
260,454 shares (8.1% of the total number of shares issued)

③ The transfer price
¥117,204 million ($985 million) (¥450,000 ($3,782) per share)

④ The number of shares held before the transfer
425,118 shares (13.3% of the total number of shares issued)

⑤ The number of shares held after the transfer
164,664 shares (5.2% of the total number of shares issued)

⑥ The transferee
Vodafone International Holdings BV

⑦ The reason for the transfer
To strengthen the financial position

(3) The effect of this event on the gain or loss
¥110,922 million ($932 million) is expected to be accounted in the other, net item of other income as a gain due to transfer of securities for the year ending March 31, 2002.

(Debt assumption agreement)

The Company entered into a debt assumption agreement in respect of the following corporate bond to alleviate its future interest burden.

(1) The date of the conclusion of the debt assumption agreement
December 7, 2001

(2) Details of the bond

① Name
Straight bond No.1 of East Japan Railway Company

② Date of the issue
October 5, 1992

③ The interest rate
5.55% p.a.

④ Redemption date
August 25, 2004

⑤ Nominal amount
¥100,000 million ($840 million)

(3) Counterparties of the agreement
The Dai-Ichi Kangyo Bank, Ltd.
The Fuji Bank, Ltd.
The Industrial Bank of Japan, Ltd.

(4) The effect of this event on the profit or loss
The Company estimates that the effect of this debt assumption on its profit or loss for the year ending March 31, 2002 will be a loss of the corporate bond redemption amounting to ¥14,708 million ($124 million) and a decrease in interest expense amounting to ¥1,622 million ($14 million).